



DEPARTMENT OF THE ARMY  
HEADQUARTERS UNITED STATES ARMY FORCES COMMAND  
1777 HARDEE AVENUE SW  
FORT MCPHERSON GEORGIA 30330-1062

REPLY TO  
ATTENTION OF

AFLG-PR

13 October 1997

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: FORSCOM Nonappropriated Fund Contracting Information  
Letter (CIL) 98-2, Internal Control Review Checklist

1. Reference Community and Family Support Center (CFSC), Contracting Directorate memorandum dated 25 September 1997, subject: Internal Control Review Checklist - AR 214-5 (encl 1).
2. The attached document is forwarded for information and use as applicable. The competition amounts on page 1 of 8 should be corrected to read "\$2,500" in lieu of "\$1,000". Question 6 on page 3 of 8 should read "Is DA Form 4074-R or DA Form 4074-1-R ..."
3. This check list will be used as a Contracting Management Review tool to check compliance. A copy should be given to each procurement employee, Chief of Services, and Assistant Director of Community and Family Activities. It can also be used in developing a Customer Education Class. Suggestions for additions or deletions to the list should be forwarded to CFSC through this office.
4. The POC for this action is Ms. Brenda Good Miller, DSN 367-6224 or e-mail goodmilb@ftmcpshn-emh1.army.mil.

Encl  
as

CHARLES J. GUTA  
Colonel, AC  
Chief, Contracting Division, DCSL&R  
Principal Assistant Responsible  
for Contracting

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SUBJECT: FORSCOM Nonappropriated Fund Contracting Information  
Letter (CIL) 98-2, Internal Control Review Checklist

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REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTER  
ALEXANDRIA, VA 22331-05

SEP 25 1997

CFSC-NCP


MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Internal Control Review Checklist - AR 215-4

1. The enclosed internal control review checklist will continue to be used until further notice.
2. The manager responsible for using this checklist will continue to follow the guidance in AR 11-2 and DA Pamphlet 11-6. Specifically, they will:
  - a. Test whether prescribed controls are in place, operational, and effective. Use analytical techniques such as statistical sampling, when appropriate, to conserve resources.
  - b. Identify areas where additions or reductions to existing controls are needed.
  - c. Select corrective actions when deficiencies can be corrected locally.
  - d. Refer deficiencies that cannot be corrected locally to higher command levels for assistance.
  - e. Provide support for the commanders annual statement on the adequacy of internal controls within the organization.
3. Point of contact for this action is Bill Gregory at DSN 221-0840 or COM: (703) 325-0840.

FOR THE COMMANDER:

Encl

  
JOHN C. McLAUGHLIN  
Director, NAF Contracting

Encl

CFSC-NCP

SUBJECT: Internal Control Review Checklist

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SUPERINTENDENT, U.S. ARMY MILITARY ACADEMY, ATTN: MAPA

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DEFENSE LOGISTICS AGENCY, ATTN: CAAPQ

DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS, ATTN:  
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**Internal Control Review Checklist (AR 215-4), page 1 of 8**

**TASK:** Base Support Services, General

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**SUBTASK:** Community and Morale Support Activities

**Remarks:**<sup>1</sup>

**THIS CHECKLIST:** Nonappropriated Fund (NAF) Contracting Management

**ORGANIZATION:**

3. Are all NAF contracting officers appointed in writing by the installation commander or designee?

**ACTION OFFICER:**

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**REVIEWER:**

**Remarks:**<sup>1</sup>

**DATE COMPLETED:**

**ASSESSABLE UNIT:** The specific managers responsible for using this checklist (e.g., at applicable FOA, MACOM, SIO, and TOE division headquarters) will be designated by the cognizant headquarters' staff functional principal. The responsible principal and mandatory schedule for using the checklist will be shown in the annually updated Management Control Plan.

4. Are ordering officers and Blanket Purchase Agreement (BPA) callers appointed in writing by the contracting officer and are limits to their authority clearly stated?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

**EVENT CYCLE 1:** NAF Contracting Authority, Responsibilities, and Policies

**Step 1:** Separate key functions and responsibilities.

**Risk:**

1. Unauthorized commitments.
2. Mismanagement of NAF assets and funds.
3. Opportunity for the undetected misuse of authority and misappropriation of funds.

5. Are Contracting Officer's Representatives (CORs) designated and appointed in writing by the NAF contracting officer, and are the limits of their authority clearly stated?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

**Control Objective:**

1. Key functions are separated, and responsibilities are clearly defined in writing.
2. Funds and assets are managed properly.
3. Violations of the Standards of Conduct are avoided.

6. Do NAF Contracting Officers receive the required training prior to being issued the contracting officer's warrant by the installation commander or designee?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

**Control Technique:**

1. Personnel are appointed in writing with a full description of their responsibilities and limitations and are provided the proper training.
2. Standards of Conduct (AR 600-50) are reviewed semiannually by MWR personnel.
3. Conduct semiannual conferences at installations with NAF operating personnel, legal counsel, and appropriated fund (APF) contracting representatives to discuss improving procedures.

7. Are individuals involved in any way with acquisitions using NAFs cognizant of and abiding by the provisions of AR 600-50?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

**Test Question:**

1. Are key functions (i.e., generating requirements, fund certification, contracting, receiving, and authorizing payment) separated for the protection of Fund personnel and the Fund?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

2. Does the Assistant Director for Community and Family Activities (ADCFA) recommend, with complete justification, the appointment of a NAF contracting officer to the installation commander or designee?

8. Are semiannual acquisition conferences held at the installation level with NAF operating personnel, legal counsel, and APF representatives to discuss means of improving contracting procedures?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

**Step 2:** Policy and administrative requirements.

**Risk:**

1. Overcharges or misuse of NAF funds due to lack of competition and availability of responsive and responsible sources of supply.
2. Violation of applicable policies, regulations, and public laws.
3. Use of unauthorized document numbering and tracking systems that may result in unauthorized procurement actions and loss of control by the contracting officer.

**Control Objective:**

1. Competition is obtained to the maximum extent practicable.
2. Contracting officers comply with applicable public laws, regulations, and policies.
3. The contracting office maintains control of the Procurement Instrument Identification Numbering (PIIN) system.

**Control Technique:**

1. Contracting offices obtain adequate competition on procurements in excess of ~~\$1,000~~.
2. Written justifications for restrictions on competition (less than adequate number of sources or single or sole source).
3. A standard PIIN system for tracking all NAF procurement instruments and documents.
4. Use only authorized NAF and approved contracting forms that contain the proper signatures.
5. Legal counsel will review certain contracting actions prior to execution.

**Test Question:**

1. If the actual or estimated cost of a procurement is over ~~\$1,000~~, is adequate competition obtained, unless valid sole source justification is provided?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

2. Are purchases not exceeding ~~\$1,000~~ equally distributed among qualified suppliers, and are requirements consolidated when practicable?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

3. Are qualified vendors and suppliers rotated and given fair and reasonable opportunity to bid on NAF requirements?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_

**Remarks:**<sup>1</sup>

4. Are NAF Contracting Officers utilizing the availability of other Government sources of supply, when practicable?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

5. Are approvals for advance payments authorized in writing by the Fund Manager?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

6. Are NAF acquisitions accomplished using NAF or other approved contract forms?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

7. Is the disclaimer clause regarding advertisements contained in AR 214-4, paragraph 2-9, incorporated into all solicitations and resulting contracts for resale activities?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

8. Are all NAF and APF contracting activities using the uniform PIIN system when processing acquisition actions using NAFs?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

9. Are separate document registers being maintained by all contracting activities on a fiscal year basis for each of the various NAF procurement instruments?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

10. Are OCONUS NAF contracting activities complying with the requirements of DOD Directive 7060.3, International Balance of Payments Program—Nonappropriated Fund Activities?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

11. Are questions concerning payment, collection, or applicability of Federal, State, and local taxes referred to legal counsel for advice?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

12. When processing a ratification of an unauthorized commitment, are the documentation, review, and approval requirements complied with per AR 215-4, paragraph 1-24?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

13. Are NAF procurement requirements that exceed, or that are estimated to exceed, the NAF contracting officer's warrant limitations forwarded to a supporting contracting activity (i.e., APF contracting activity, HQ, USACFSC NAF Contracting Division, or a MACOM centralized NAF contracting activity) for processing and execution?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

#### EVENT CYCLE 2: NAF Acquisition Cycle

**Step 1:** Acquisition planning and preparation of the purchase request.

##### Risk:

1. Processing NAF purchase requests (PRs) with unauthorized signatures and funding approvals will result in unauthorized commitments.
2. Use of incorrect forms will result in unauthorized or invalid contracts.
3. Improperly completed forms may result in the purchase of goods and services that will not satisfy the NAFI's needs.

##### Control Objective:

1. Procurement is limited to authorized orders for goods and services.
2. Purchase requests clearly and accurately describe requirements and contain the required approvals and funding certifications.

##### Control Technique:

1. Personnel involved in the acquisition process are cognizant of individual signature and fund certification responsibilities.
2. Review all PRs upon receipt at contracting office to ensure that the requirements are clearly and accurately described and that documents contain the required signatures, approvals, and justifications.

##### Test Question:

1. Are requesting activities providing specific and realistic delivery or performance dates on the DA Form 4065-R to specify the actual required delivery or performance periods?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. Is a DA Form 4065-R used to submit requirements for supplies or services to the NAF Contracting Office, except for those instances set forth in AR 215-4, paragraph 3-14?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

3. Do requesting activities, in preparing the PR, clearly set forth the requirements and specifications on the PR in order to accurately describe the desired supplies or services required?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

4. Has the contracting officer reviewed and verified that PRs contain the required fund certifications and approval signatures upon receipt?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

5. Does the NAF contracting office have established procedures for receiving and processing PRs?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

6. If a requirement is determined to only be available from a single source, is a sole source justification included in the contract file?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

**Step 2:** Determine the appropriate solicitation and contracting method.

##### Risk:

1. Uneconomical and untimely procurement actions resulting in the payment of excessive costs for goods and services.
2. Unauthorized and illegal commitments and mismanagement of NAF assets and funds.

**Control Objective:**

1. Utilize the most appropriate contracting methods (forms and formats) for each acquisition in the best interest of the Fund.
2. Consult legal counsel to provide advice concerning the legal sufficiency of proposed NAF contracting actions.

**Control Technique:**

1. Adequate training of contracting personnel in various procurement methods.
2. Contracting personnel are allowed to determine the proper contracting methods (forms and formats) based on individual purchase requirements.
3. Specify conditions to occur prior to authorizing the use of specific contracting methods.
4. Require legal reviews and approvals prior to issuing certain types of solicitation and contract documents.

**Test Question:**

1. Are written solicitations used for all construction requirements in excess of \$2,000 and service requirements in excess of \$2,500?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. Is the DA Form ~~4066-B~~ issued by the contracting officer and used only for over-the-counter purchases of supplies and nonpersonal services when no other purchase method is suitable?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

3. Do all Blanket Purchase Agreements (BPAs) have sequentially numbered procurement instrument identification numbers (PIINs) that are recorded in a separate document register, and do the BPAs contain the required terms and conditions as set forth in AR 215-4, paragraph 4-13?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

4. Does the contracting officer review the BPA caller's files periodically, but not less than semiannually, to ensure compliance with the correct BPA call and ordering procedures at the activity level?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

5. Has each BPA format been reviewed by legal counsel prior to issuance and each time a substantive change is made to the format or terms and conditions?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

6. Is DA Form 4074-H\* (Contract Clauses—NAF Supply and Service Contracts) attached to solicitations, purchase orders, agreements (BPAs, BOAs), and contracts, as applicable?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

7. Is DA Form 4075-R (Contract Clauses—NAF Construction Contracts) attached to all solicitations and resulting contracts for construction, as applicable?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

8. Are unpriced purchase orders (UPOs) used only when the conditions set forth in AR 215-4, paragraph 4-15, are met?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

9. Are request for proposals (RFPs) and invitation for bids (IFBs) prepared using the prescribed forms and utilizing the uniform contract format (UCF)?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

10. Do all RFPs and IFBs state in the solicitation package the specific place, date, and time for the receipt of all proposals?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

11. When responses to a solicitation are received, is the envelope time-stamped, dated, and kept in a safe, secured place until the time of opening?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

12. When conducting preproposal conferences, are point-by-point, accurate records kept of all discussions and are such records included in the contract file?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

13. Are the criteria set forth in AR 215-4, paragraph 4-35, utilized in determining whether a prospective contractor is responsible?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

14. Are all amendments to solicitation and modifications to an existing contract issued using DA Form 4073-R?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

15. In the event of a protest to a proposed acquisition, are the procedures and documentation requirements set forth in AR 215-4, paragraph 4-40, satisfied?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

16. Are unsolicited proposals received by the NAFI forwarded to the Chief of the contracting activity for coordination, receipt, evaluation, and disposition?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

17. Are all solicitations and contracts anticipated to be in excess of \$100,000, including all proposed concessionaire, professional services, and amusement company contracts, regardless of estimated dollar amount, reviewed by legal counsel to ensure legal sufficiency?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

**Step 3: Contract types.**

**Risk:**

1. Violation of an applicable Public Law, regulation, or policy.

**AR 215-4 ICR Checklist, page 4 of 8**

2. Waiver of NAFI's contractual rights.
3. Hazard to the public health or public safety.
4. Processing a requirement for the NAFI that is untimely or uneconomical.

**Control Objective:**

1. Contracting officers are cognizant of and comply with Public Laws and statutes applicable to NAFIs.
2. Contracting personnel comply with the correct contracting type and methods when contracting for different commodities and services.
3. Proper approvals and reviews are conducted to preclude the possibility of hazard to the public or NAFI property.
4. The NAFI obtains required goods and services in the most timely, economical, and cost-efficient manner.

**Control Technique:**

1. Contracting officers incorporate the required contract provisions and clauses and comply with the applicable Public Laws, statutes, and regulations.
2. Contracting personnel utilize price comparison techniques to ensure that NAFIs are obtaining the best price for required items.
3. Require that a variety of approvals, reviews, and certifications be obtained prior to the issuance of a solicitation or execution of a contract.
4. Contracting activities utilize predetermined procurement methods when obtaining certain items.

**Test Question:**

1. When the NAFI enters into a service contract with an individual, has the contracting officer included the Privacy Act Statement and obtained the necessary information from the contractor for Internal Revenue Service (IRS) reporting requirements (e.g., Social Security Number (SSN) and address) prior to contract award?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

2. If a NAFI enters into a contract subject to the Service Contract Act of 1965, has the Contracting Officer requested a wage rate determination from the Department of Labor and upon receipt, incorporated the determination into the solicitation or contract, as applicable?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

3. Is the contract file documented supporting the decision of the installation commander (or designee) who determined that the NAFI will obtain professional services by a professional services-type contract?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

4. When contracting for property and casualty insurance, does the contract contain the requirement for the endorsement set forth in AR 215-4, paragraph 5-13?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

5. When entering into a construction contract for over \$25,000, has the contracting officer complied with the requirements for performance or payment bonds required by the Miller Act?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

6. Do all solicitations and resulting concessionaire-type contracts comply with the general contract requirements set forth in AR 215-4, paragraphs 5-22 and 5-23?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

7. Has the contracting officer made a determination, in writing, as to whether the concessionaire contractor will be required to obtain and certify, in writing, to the contracting officer that the contractor has obtained the types of insurance specified in AR 215-4, paragraph 5-24?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

8. When contracting for interior design or kitchen design packages, is the package awarded as a single package as set forth in AR 215-4, paragraph 5-16?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

9. Do contract files for amusement companies or traveling shows contain the required written approvals and the terms and conditions required by AR 215-4, paragraph 5-37?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

10. When contracting for subsistence items, are contracting personnel utilizing comparative pricing techniques?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

11. Do all BPAs and orders for subsistence food items contain provisions for the requirement of veterinary inspection by the post veterinarian prior to delivery to the receiving activity, and do they also require the supplier to furnish a copy of all delivery tickets to the veterinary inspector upon arrival?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

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**Step 4: Contract award process.**

**Risk:**

1. Contracts are not made in the best interest of the Fund.
2. Contracts are awarded to a nonresponsive and/or nonresponsible vendors resulting in delays and excess costs.
3. Public Laws or applicable regulations may be violated.

**Control Objective:**

1. All actions made are in the best interest of the Fund.
2. No conflict of interest or undue influence is used to arrive at the award of the contract.
3. All NAFI contracts and orders contain the mandatory clauses.

**Control Technique:**

1. Require that determinations of award and non-award are made using sound business judgment and that files are properly documented.
2. All applicable regulatory guidance is adhered to in awarding contracts.
3. Require all purchase orders, basic contracts, and agreements contain the mandatory contract clauses, and other provisions, as required by the nature of an acquisition, DOD issuance, or Public Law.

**Test Question:**

1. Are applicable legal reviews conducted prior to issuing solicitations and contract awards per AR 215-4, paragraph 1-13?

**Response:** YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
**Remarks:**<sup>1</sup>

2. When soliciting quotes or offers, are the evaluation factors that will be used for determining how the award will be made clearly set forth in the solicitation document?



AR 215-4 ICR Checklist, page 5 of 8

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

3. When soliciting offers using a request for proposal (RFP), does the presolicitation file contain the numerical weights to be applied to the evaluation factors set forth in Section M of the solicitation document?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

4. Per AR 215-4, paragraph 4-5, do contracting personnel check the most current GSA Consolidated List of Debarred, Suspended, and Ineligible Contractors prior to solicitation and award of all contracts?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

5. Is each NAF contract evidenced by a written document?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

6. If the contracting officer selects sealed bidding procedures, is the file documented to show that the use of sealed bidding procedures is to the advantage of the Fund?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

7. Has the installation commander or designee, DPCA, ADCFA, and Chief, Services Division, taken steps to ensure that those having administrative supervision over NAF contracting personnel do not exert or allow others to exert pressure on contracting personnel to violate applicable regulations?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

**Step 5: Contract administration and management.**

**Risk:**

1. Delays in delivery or performance may result in increased costs to the NAFI.

2. Improper administration of a contract may result in waiving the NAFI's rights.  
3. Improper actions may result in unauthorized commitments and misappropriation of funds.

**Control Objective:**

1. Proper delivery or performance by the contractor.  
2. All orders and contracts are properly administered.  
3. All actions taken are reflected in the contract file.  
4. All contract modifications and changes are properly processed and required funding certifications are obtained.

**Control Technique:**

1. Contracting personnel will monitor the contractor's performance to ensure conformance to contract terms and conditions.  
2. Contracting officers will obtain certification of additional funding when there is a modification or change to the contract.  
3. Copies of contractual documents are distributed to ensure that contracting, receiving, and accounting personnel are involved in properly administering an order or contract.  
4. Contracting officers follow prescribed procedures for exercising options to a contract.  
5. Contracting personnel will document the contract file to reflect what actions were taken and why.

**Test Question:**

1. Do the contracting personnel follow-up with contractors and requesting/receiving activities to ensure that contractors are performing in accordance with the terms and conditions of the contract?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. Have procedures been established for distribution of contractual documents (e.g., solicitations, amendments, purchase/delivery orders, contracts, modifications) to those activities involved in reviewing solicitations and, after award, in properly administering an order or contract (e.g., requesting activity, central accounting office (CAO), legal, receiving activity, contractor, contracting office, fund manager, etc.)?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

3. When the contracting officer exercises the option on a contract containing an options clause, in writing, and the option will not exceed the 5-year limit, is the contract file properly documented and determinations included supporting the contracting officer's decision?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

4. If a modification is issued increasing the contract price, are additional funds certified as being available to cover the increase included in the contract file?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

5. If a modification to a contract is issued, does the contract file reflect the actions and circumstances leading to issuance of the modification?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

6. Does the contract file summarize any negotiations conducted in arriving at a fair, timely, and equitable adjustment when the contracting officer executed a contract change or modification?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

**Step 6: Receipt of goods and services.**

**Risk:**

1. Receiving reports all handled improperly, resulting in erroneous payments.  
2. Payments to vendors are unnecessarily delayed.  
3. NAFI rights under the contract are waived.

**Control Objective:**

1. Receiving reports are forwarded promptly to CAO for payment with copies furnished to the contracting office.  
2. Inspection and acceptance of supplies and services is done in a timely manner.

**Control Technique:**

1. Receiving reports are properly prepared and annotated.  
2. Receiving activities report any discrepancies to the NAF contracting office immediately.  
3. Establish and enforce a requirement that a copy of the receiving report becomes part of the contract file.

**Test Question:**

1. Are contracting and receiving activity personnel familiar with the procedures for proper inspection, acceptance, and rejection of nonconforming goods?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. Have written procedures been established for rejecting nonconforming goods and services, and do these procedures identify what

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actions will be taken by receiving and contracting personnel when goods and services will be rejected?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

3. Do all contracts for supplies and equipment contain a clause giving the NAFI the right to inspect and accept or reject any nonconforming items?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

4. Has the contracting office provided a copy of all orders and contracts to the appropriate receiving activities?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

5. Is a copy of receiving reports or evidence of payment sent to the contracting office and placed in the contract files in order to close out orders and contract files?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

6. Are contract files documented to show late deliveries or late performance by the contractor?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

### Step 7: Contract close-out.

#### Risk:

1. Waiver or loss of NAFI's contractual rights and privileges.
2. Delays in processing payments to contractors.

#### Control Objective:

1. NAFI's rights under the contract are protected during the administration of a contract through the close-out.
2. Timely and correct payments to contractors for supplies and services are received.

#### Control Technique:

1. Require proper documentation of actions taken by the contracting office concerning the contract to be included in the contract file.

2. Require proper procedures be followed in closing out NAF orders and contracts, regardless of the dollar amount.

#### Test Question:

1. Does each contract file, regardless of whether it is for a small purchase or other than small purchase action, contain the appropriate documentation for each action taken during the period of the contract?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. Are small purchase order files closed out 1 year after a copy of the receiving report and/or proof of final payment are received?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

### Step 8: Acquisitions for overseas NAFIs.

#### Risk:

1. Mismanagement of NAF assets and funds.
2. Loss of supplies and equipment paid for with NAFs.

#### Control Objective:

1. Cost-effective and efficient purchasing for overseas NAFIs.
2. Timely and complete shipment of supplies and equipment to overseas NAFIs.

#### Control Technique:

1. Requirements for the contracting officer to ensure that contracts contain the appropriate terms and conditions.
2. Requirement for insurance coverage on certain shipments made for overseas NAFIs.
3. Requirement for the use of established purchasing and shipping procedures for overseas NAFIs.

#### Test Question:

1. Are appropriate shipment procedures followed for marking and transporting supplies and equipment destined for overseas NAFIs?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. Has the Fund Manager determined the appropriate insurance coverage requirements and has the contracting officer incorporated those requirements in the order or contract for shipment of overseas supplies and equipment?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

3. Does the contract clearly set forth in the terms and conditions how and where the receiving activity will inspect and accept the supplies and equipment that will be shipped to overseas NAFIs?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

4. If a shipment is suspected of being lost, has the contracting officer notified the contractor in order to initiate a tracer action? (AR 215-4, para 6-12)

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

### EVENT CYCLE 3: Contract Disputes, Appeals, and Claims

Step: Processing contract disputes, appeals, and claims.

#### Risk:

1. Increased contract administrative costs to the NAFI.
2. Delays in the NAFI receiving required goods or services.
3. Additional costs for goods or services received.

Control Objective: Resolve any disputes and appeals at the contracting office level; otherwise process appeals in a proper manner to equitably resolve all claims before they become contractual disputes and must be resolved by the appeals process.

#### Control Technique:

1. Proper documentation of contract files to reflect all actions involving a dispute to a contract.
2. The contracting officer makes every possible effort to resolve the dispute initially in order to avoid the unnecessary administrative costs of the appeals process.
3. All dispute and appeal actions will be reviewed by legal counsel prior to execution.

#### Test Question:

1. Are the requirements set forth in AR 215-4, paragraph 7-21, followed when processing claims for payment against a NAFI contract?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks: <sup>1</sup>

2. When a dispute has been initiated, has the contracting officer made an effort to equitably resolve the dispute and has the contract file been documented to show what actions have been taken, including documentation concerning meetings or conversations between the contractor and the contracting officer?

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Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

3. If the dispute cannot be equitably resolved, has the contracting officer documented the file and followed the procedures set forth in AR 215-4, paragraphs 7-12 through 7-20, for preparing a written final decision on the dispute, notifying the contractor of the decision made and advising the contractor of the option to appeal?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

4. When preparing for an appeal action, has the contracting officer compiled all relevant documentation, coordinated all actions with legal counsel, and prepared all files for presentation and review by the Armed Services Board of Contract Appeals (ASBCA) as set forth in AR 215-4, paragraphs 7-13 through 7-20?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

5. Has the contracting officer obtained the advice of legal counsel prior to taking any actions concerning the handling and processing of a contract dispute or appeal?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

### EVENT CYCLE 4: Contract Terminations

**Step 1:** Processing terminations for the convenience of the NAFI.

#### Risk:

1. NAFI is not able to exercise its rights under the contract.
2. A claim or dispute action against the NAFI.

#### Control Objective:

1. Keep the number of termination for convenience actions to a minimum.
2. Provide contractors fair and equitable treatment when terminating a contract for the convenience of the NAFI.
3. The contracting officer uses prudent judgment when terminating a contract for the convenience of the NAFI.
4. Contracting personnel will follow established procedures for processing terminations.

#### Control Technique:

1. Incorporate the contract clauses, including the termination clauses, in all bilateral contracts.

2. The contracting officer evaluates all factors and costs involved in terminating a contract for the convenience of the NAFI.

3. Legal counsel reviews all termination actions and all supporting documentation prior to execution of the termination action.

4. Properly document contract files.

#### Test Question:

1. Are the termination clauses (i.e., Termination for Convenience and Termination for Default) incorporated in all bilateral contract actions?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

2. When the contracting officer has determined that a termination for convenience action is to the advantage of the NAFI, has the contracting officer documented the file and obtained review by legal counsel prior to executing the action?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

3. When the contracting officer is considering a termination for convenience, are the effects of this action considered on related purchases, costs of the termination, and availability of funds for the reprocurement, if necessary?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

4. Is the contractor notified in writing of a pending or actual termination, and are all termination actions and supporting determinations and legal reviews documented and incorporated in the contract file?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

**Step 2:** Termination actions for the default of the contractor.

**Risk:** NAFI waives its contractual rights causing increased administrative costs and delays in obtaining required goods and services.

#### Control Objective:

1. Proper contract administration to help keep terminations for default to a minimum.
2. Protect the NAFI's contractual rights.
3. Provide the contractor with the opportunity to cure or justify causes for the default.

#### Control Technique:

1. The contracting officer takes prompt and corrective action when the contractor is in default or appears to be failing to make the necessary progress in performing the contract to avoid its default.

2. The contracting officer obtains legal review prior to executing a termination action.

3. The contracting officer provides the contractor the opportunity to take corrective actions prior to defaulting on the contract or allows the contractor to show cause for its inability to perform.

#### Test Question:

1. If the contractor appears to be failing and sufficient time is remaining for the contractor to perform, has the contracting officer issued a written cure notice, as prescribed in AR 215-4, paragraph 7-26, to the contractor to cure deficiencies in its performance prior to processing a termination for default action and is the contract file properly documented to reflect this action?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

2. If the contractor has already failed to make delivery or perform in accordance with the terms and conditions of the contract, has the contracting officer prepared and issued a show-cause notice in writing to the contractor as prescribed in AR 215-4, paragraph 7-27, and is the contract file properly documented?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

3. Prior to executing a termination for default action, has the contracting officer documented all actions taken and submitted the contract file to legal counsel for review?

Response: YES\_\_\_\_ NO\_\_\_\_ NA\_\_\_\_  
Remarks:<sup>1</sup>

<sup>1</sup> Explain rationale for YES responses or provide cross-references where rationale can be found. For NO responses, cross-reference to where corrective action plans can be found. If response is NA, explain rationale.

I attest that the above-listed internal controls provide reasonable assurance that Army resources are adequately safeguarded. I am satisfied that if the above controls are fully operational, the internal controls for this subtask throughout the Army are adequate.

Deputy Chief of Staff for Personnel  
FUNCTIONAL PROPONENT

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I have reviewed this subtask within my organization and have supplemented the prescribed internal control review checklist when warranted by unique environmental circumstances. *The controls prescribed in this checklist, as amended, are in place and operational for my organization (except for the weaknesses described in the attached plan, which includes schedules for correcting the weaknesses).*

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OPERATING MANAGER (Signature)